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FILE ONLY

Suggests investors band together

Rewald trying to regain company?

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Amid a rising crescendo of publicity about the CIA's role in Ronald Rewald's company, Rewald and his supporters are fighting back and may try to regain control of the bankrupt company, The Advertiser has learned.

Rewald has sent a letter to several investors suggesting they band together with his attorney in a common defense against bankruptcy administrator Thomas Hayes.

Rewald says the CIA ran and then sank his company, the loftily-named Bishop, Baldwin, Rewald, Dillingham and Wong.

The CIA acknowledges a slight involvement with Rewald, but absolutely denies having anything to do with his alleged theft of investors' money.

One investor who accepts Rewald's story invited investors to a meeting at her Hawaii Kai home last night to see if any would join a suit against the CIA, or consider banding together in a committee or association.

Investor Carole Myers said San Francisco attorney Melvin Belli will come to Honolulu Tuesday to meet — at the Royal Hawaiian Hotel — with any investor who wants to join the suit against the CIA.

And Rewald himself has sent a letter to several other investors — those whom Hayes says took out more money than they put in and thus are debtors — urging them to contact Rewald attorney Robert A. Smith.

Rewald says Hayes' demand for repayment of the \$2 million in question is "outrageous," and says no lawyer is better qualified to help such investors than Smith.

Rewald admits Smith may have a conflict of interest in representing investors whose money may have been taken by his other client, Rewald, in a fraud. But, Rewald said, as long as possible conflicts of interest are disclosed, Smith could still represent such investors.

Bankruptcy administrator Hayes said yesterday there have been rumors that an effort will be made to oust him, at least partly because he doesn't buy Rewald's claim that the CIA is to blame. Rewald and Myers said they both personally would like to see Hayes out, but both said they knew nothing of any effort to do it.

The latest treatment of the Rewald saga appeared yesterday on the front page of The Wall Street Journal. Journal reporter Jonathan Kwitny said "it may never be known" whether the CIA sanctioned financial misdeeds on Rewald's part. And, Kwitny said, it obviously would be in Rewald's interest to exaggerate his CIA ties.

But Kwitny was puzzled, as others have been, that Rewald's firm was able to operate an alleged investment fraud for three years while at least some active and retired CIA officials looked on as investors and consultants.

"Even if Mr. Rewald fails in portraying himself as a CIA pawn," Kwitny wrote, "his former clients will probably argue that the CIA lent credibility to his business dealings and that the agency knew — or should have known — what was going on."

That is precisely the content of several suits already filed against the CIA by some investors and by Rewald himself.

One reaction to the Kwitny article was solicited yesterday from Assistant U.S. Attorney John Peyton, who is handling the Rewald case in Honolulu. Peyton, Kwitny reported, is the former chief of litigation for the CIA at its headquarters in Langley, Va.

While Kwitny called that fact a "curiosity," Peyton said yesterday it was a complete coincidence.

"I worked at the CIA from 1976 to 1981," said Peyton, adding he had been in intelligence during his military service, prior to working as a prosecuting attorney in Cincinnati.

He said his work with the CIA typically dealt with cases involving

Freedom of Information requests, suits against the agency for alleged civil rights violations, and publication of information by former CIA employees.

He said he left the CIA in 1981 to join the U.S. Attorney's office in Miami, where he worked in the narcotics section. In the fall of 1982, he said, he responded to a request by U.S. Attorney Dan Bent of Honolulu for applicants for a similar position here.

By that time, the IRS was already investigating Rewald in a tax matter. Rewald later tried to get the CIA to halt the IRS investigation. The CIA did intervene, in early 1983, long enough to attempt to sanitize the firm's records and get at least one CIA operative clear of the company, according to a reliable source. Then the IRS probe resumed.

On July 29, 1983, Channel 2 broadcast a report raising questions about the firm. Rewald checked into a hotel that day, then tried to commit suicide.

Peyton reported to work in Hawaii August 1, just as Rewald's company collapsed. He was immediately assigned to the case.

The Wall Street Journal article follows hard on the heels of a British Broadcasting Corp. report which accepts Rewald's version of the CIA involvement. The BBC piece stimulated the first report on the case by The Washington Post this week.

And the Hawaii Investor, a monthly business newspaper which did an interview with Rewald several weeks ago, carries in its current issue a long article with a headline declaring the CIA played a "leading role in the rise and fall of Bishop, Baldwin."